

Office of the State Auditor
Division of State Audit

NORTH DAKOTA GAME
AND FISH DEPARTMENT
Bismarck, North Dakota

Audit Report for the
Two-Year Period Ended June 30, 2006
Client Code 720

Robert R. Peterson
State Auditor



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Contents

<i>Transmittal Letter</i>	<i>1</i>
<i>Executive Summary</i>	<i>2</i>
<i>Introduction</i>	<i>2</i>
<i>Responses to LAFRC Audit Questions</i>	<i>2</i>
<i>LAFRC Audit Communications</i>	<i>3</i>
<i>Background Information</i>	<i>5</i>
<i>Audit Objectives, Scope, And Methodology</i>	<i>7</i>
<i>Discussion And Analysis</i>	<i>8</i>
<i>Financial Summary</i>	<i>8</i>
<i>Analysis of Significant Variances Between Final Budgeted and Actual Expenditures</i>	<i>9</i>
<i>Financial Statements</i>	<i>10</i>
<i>Statement of Revenues and Expenditures</i>	<i>10</i>
<i>Statement of Appropriations</i>	<i>11</i>
<i>Internal Control</i>	<i>15</i>
<i>Compliance With Legislative Intent</i>	<i>16</i>
<i>Operations</i>	<i>18</i>
<i>Private Land Initiative Improvements</i>	<i>18</i>
<i>License Lottery Refunds</i>	<i>20</i>
<i>Deer Donation Program</i>	<i>21</i>
<i>Management Letter (Informal Recommendations)</i>	<i>22</i>

Transmittal Letter

February 6, 2007

The Honorable John Hoeven, Governor
Members of the North Dakota Legislative Assembly
Terry Steinwand, Director, ND Game and Fish Department

We are pleased to submit this audit of the North Dakota Game and Fish Department for the two-year period ended June 30, 2006. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two years. The same statute gives the State Auditor the responsibility to determine the contents of these audits.

In determining the contents of the audits of state agencies, the primary consideration was to determine how we could best serve the citizens of the state of North Dakota. Naturally we determined financial accountability should play an important part of these audits. Additionally, operational accountability is addressed whenever possible to increase efficiency and effectiveness of state government.

The senior auditor for this audit was Orlin Bensen, LPA and Ron Tolstad, CPA, was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager at (701) 328-2243. We wish to express our appreciation to Director Steinwand and his staff for the courtesy, cooperation, and assistance provided to us during this audit.

Respectfully submitted,

Robert R. Peterson
State Auditor

Executive Summary

INTRODUCTION

The North Dakota Game and Fish Department is the principal governmental proponent of maintenance and perpetuation of fish and wildlife, and their habitats. It has the responsibility to recommend seasons, set and enforce regulations, and disseminate information about the state's fish and wildlife. The Department assists landowners with wildlife concerns, educates hunters and boaters about safety and sportsmen ethics, provides technical assistance to landowners to improve wildlife habitat, and works to ensure the availability of wildlife and fisheries for future generations.

RESPONSES TO LAFRC AUDIT QUESTIONS

The Legislative Audit and Fiscal Review Committee (LAFRC) requests that certain items be addressed by auditors performing audits of state agencies.

1. What type of opinion was issued on the financial statements?

Financial statements were not prepared by the North Dakota Game and Fish Department in accordance with generally accepted accounting standards so an opinion is not applicable. The agency's transactions were tested and included in the state's basic financial statements on which an unqualified opinion was issued.

2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?

Yes.

3. Was internal control adequate and functioning effectively?

Yes.

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

There were not any indications of a lack of efficiency in financial operations and management of the North Dakota Game and Fish Department, although in our operational work addressing "Private Land Initiative Improvements" (see page 18), "License Lottery Refunds" (see page 20), and "Deer Donation Program" (see page 21), we did note an area where greater efficiency could be achieved.

5. *Has action been taken on findings and recommendations included in prior audit reports?*

There were no recommendations included in the prior audit report.

6. *Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.*

Yes, a management letter was issued and is included on page 22 of this report, along with management's response.

LAFRC AUDIT COMMUNICATIONS

1. *Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.*

There were no significant changes in accounting policies, no management conflicts of interest were noted, no contingent liabilities were identified or significant unusual transactions.

2. *Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.*

The North Dakota Game and Fish Department's financial statements do not include any significant accounting estimates.

3. *Identify any significant audit adjustments.*

Significant audit adjustments were not necessary.

4. *Identify any disagreements with management, whether or not resolved to the auditor's satisfaction relating to a financial accounting, reporting, or auditing matter that could be significant to the financial statements.*

None.

5. *Identify any serious difficulties encountered in performing the audit.*

None.

6. *Identify any major issues discussed with management prior to retention.*

This is not applicable for audits conducted by the Office of the State Auditor.

7. *Identify any management consultations with other accountants about auditing and accounting matters.*

None.

8. *Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission, or whether any exceptions identified in the six audit report questions to be addressed by the auditors are directly related to the operations of an information technology system.*

ConnectND Finance and Human Resource Management System (HRMS) are high-risk information technology systems critical to the North Dakota Game and Fish Department.

Background Information

The North Dakota Game and Fish Department's mission is to protect, conserve, and enhance fish and wildlife populations and their habitats for sustained public use. Terry Steinwand, Director, who is appointed by the Governor, heads the North Dakota Game and Fish Department.

The Director has the authority to hire employees and make day-to-day operational decisions. The Governor sets hunting and fishing seasons by proclamation, with the advice of the North Dakota Game and Fish Director. License fees are set by the legislature. The North Dakota Game and Fish Department has a District Advisory Board. North Dakota is divided into eight districts, each represented by a district advisor. The district advisors are appointed by the governor to serve as a liaison between the North Dakota Game and Fish Department and the public.

ND Game & Fish includes:

- Administrative Services.
 - Conservation and Communications.
 - Enforcement.
 - Fisheries.
 - Wildlife.
-

The Game and Fish Department has five divisions. They are Administrative Services, Conservation and Communications, Enforcement, Fisheries, and Wildlife.

The Administrative Services Division sets policies for the entire Department and runs the day-to-day business operations of the Department. It also provides support for all other divisions. Within this division include the functions of accounting, computer operations, federal aid coordination, facility management, and licensing.

The Conservation and Communication Division is composed of three sections: communications, outreach, and conservation. The communication section produces the *North Dakota Outdoors* magazine and television program, news releases, and other publications and brochures. The outreach section includes boating safety education, Project WILD, hunter education, watchable wildlife, and nongame programs.

The conservation section provides biological expertise on major government and industrial projects, protects public land resources, and oversees endangered and threatened species.

The Enforcement Division enforces state wildlife, fish, and boating laws. In addition to the chief game warden, there are four game warden supervisors, 28 district game wardens located throughout the state of North Dakota, and one game warden investigator.

The Fisheries Division has responsibility for all fishing waters in the state of North Dakota. The division is primarily made up of fisheries biologists and technicians that are responsible for managing fish populations and their habitats. They stock fish in North Dakota waters, trap and move fish, conduct fisheries research and surveys, and provide public use facilities and lake improvement systems.

The Wildlife Division manages terrestrial wildlife species, cooperates with landowners to provide wildlife habitat, reduce wildlife depredation, and maintains wildlife management areas around the state of North Dakota.

The Game and Fish Department's budget for the 2003-05 biennium totals \$45.5 million. This represents a 22% increase over the 2001-2003 budget. The primary area of increase was in land habitat and deer depredation.

The Game and Fish Department's budget for the 2005-07 biennium totals \$52 million. This represents a 14% increase over the 2003-2005 budget. The primary areas of increase were in salaries and wages, grants and land habitat, and deer depredation.

The Department operates entirely with special and federal funds. Approximately 68% of the Department's revenue comes from the sale of licenses and permits and other miscellaneous revenue. Federal assistance accounts for another 32%.

More information can be obtained from the North Dakota Game and Fish Department's home page at:

<http://gf.nd.gov/>

The North Dakota Game and Fish Department commonly works with interim committees. The Department has worked with the Judiciary B Committee on interim studies for hunting guide laws and nonresident waterfowl hunting licensing.

Audit Objectives, Scope, And Methodology

Audit Objectives

The objectives of this audit of the North Dakota Game and Fish Department for the two-year period ended June 30, 2006 were to provide reliable, audited financial statements and to answer the following questions:

1. What are the most important areas of the North Dakota Game and Fish Department's operations and is internal control adequate in these areas?
2. What are the significant and high-risk areas of legislative intent applicable to the North Dakota Game and Fish Department and are they in compliance with these laws?
3. Are there areas of the North Dakota Game and Fish Department's operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of the North Dakota Game and Fish Department for the two-year period ended June 30, 2006 was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. To meet the objectives outlined above, we:

Audit Methodology

- Prepared financial statements from the legal balances on the state's accounting system tested as part of this audit and the audit of the state's Comprehensive Annual Financial Report and developed a discussion and analysis of the financial statements.
- Performed detailed analytical procedures for expenditures and receipts.
- Tested samples of expenditures, journal vouchers, and correcting entries.
- Reviewed prior year audit workpapers.
- Interviewed appropriate agency personnel.
- Reviewed North Dakota Game and Fish Department written plans and applicable manuals.
- Reviewed North Dakota Game and Fish Department's biennial report.
- Observed North Dakota Game and Fish Department's processes and procedures.
- Reviewed North Dakota Century Code Title 20.1, 2003 and 2005 Session Laws.
- Conducted a review of the cost tracking, license drawing, and on-line services systems.
- Reviewed industry best practices through the use of Internet searches.

Discussion And Analysis

The accompanying financial statements have been prepared to present the North Dakota Game and Fish Department's revenues and expenditures on the legal (budget) basis. The accompanying financial statements are not intended to be presented in accordance with generally accepted accounting principles (GAAP).

For the two-year period June 30, 2006, operations of the North Dakota Game and Fish Department were primarily supported by appropriations from the agencies special revenue funds which are received primarily from the sale of hunting and fishing licenses. This is supplemented by federal funding which is raised primarily from the excise tax on hunting and fishing equipment.

FINANCIAL SUMMARY

The North Dakota Game and Fish Department had \$25 million in investments at June 30, 2006 compared to \$22 Million as of June 30, 2005. The investments consist of certificates of deposit that are held at the Bank of North Dakota with interest rates ranging from 1.80% to 5.05% for the period under audit. The investments are short term in duration with slightly longer terms for the higher interest rate investments.

Capital Assets were \$21,662,449 at June 30, 2006. Capital assets increased by \$1.3 million for fiscal year 2006 over the prior year mainly because of construction of the new shop building.

Revenues consisted primarily of licenses and permits, federal funds, and interest income. Licenses and permits revenue stayed relatively the same for fiscal years 2005 and 2006 at around \$15.5 million per year. Federal revenue for fiscal year 2006 increased slightly by about \$66,000. Interest income increased from \$442,943 for fiscal year 2005 to \$764,248 for fiscal year 2006 largely due to higher interest rates on certificate of deposits at the Bank of North Dakota. Interest earned on the operating fund is transferred to the habitat private land habitat and access improvement fund in accordance with North Dakota Century Code Chapter 20.1-02. Other revenues during the audited period included various fines, taxes, sales of publications, donations, rents, and transfers in. Total revenues were \$24,897,916 for the year ended June 30, 2006 as compared to \$24,843,519 for the year ended June 30, 2005.

Major expenditures consist of salaries and wages, rents/leases, grants, operating expenses, travel and building, grounds, and supplies. Total expenditures for the North Dakota Game and Fish Department were \$22,301,682 for the year ended June 30, 2006 as compared to \$21,943,585 for the prior year.

ANALYSIS OF SIGNIFICANT VARIANCES BETWEEN FINAL BUDGETED AND ACTUAL EXPENDITURES

The North Dakota Game and Fish Department's final appropriation for the biennium ended June 30, 2005 was \$45,527,763 and the final total expenditures was \$42,821,503 for an unexpended appropriation of \$2,706,260 or 5.9%. The primary unexpended appropriation line item was the capital asset line item for approximately \$916,000. The difference was for the new shop building that was being built but not finished as of June 30, 2005. The other line item that was material unexpended balance was land habitat and deer depredation for \$574,000. The ND Game and Fish Department must maintain a reserve of private land funds to pay for winter depredation costs. Mild winters sometimes make the use of this funding unnecessary and it sometimes will not be spent by the end of the biennium.

Financial Statements

STATEMENT OF REVENUES AND EXPENDITURES

	June 30, 2006	June 30, 2005
<u>Revenues and Other Sources:</u>		
Licenses and Permits	\$15,447,374	\$15,488,481
Federal Revenue	8,055,079	7,988,836
Interest	764,248	442,943
Sale of Publications	190,693	185,121
Sale of Capital Assets	151,000	
Donations	78,824	513,274
Other Revenue	210,698	124,359
Transfers In		100,505
Total Revenues and Other Sources	\$24,897,916	\$24,843,519
<u>Expenditures and Other Uses:</u>		
Salaries and Benefits	\$8,975,538	\$8,345,978
Rent of Land – Private Land Initiative	2,425,245	2,405,241
Grants, Benefits, and Claims	2,630,351	2,798,817
Operating Fees	1,490,947	1,123,009
Building Construction	1,365,384	593,989
Travel	1,285,090	1,304,776
IT – Data Processing / Communications / Equipment / Software	524,816	556,326
In Lieu of Real Estate Taxes	483,148	420,686
Printing	367,400	336,422
Building, Grounds, Vehicle Supply	356,437	1,084,194
Miscellaneous Land Improvements	342,441	316,386
Postage	272,375	345,789
Other Supplies	257,820	618,226
Chemicals	252,316	202,707
Fees – Professional Services	249,543	234,091
Motor Vehicles	198,246	134,505
Land Purchases	107,000	231,267
Other Expenses	717,585	891,176
Total Expenditures and Other Uses	\$22,301,682	\$21,943,585

STATEMENT OF APPROPRIATIONS

For The Year Ended June 30, 2006

Expenditures by Line Item:	<u>Original Appropriation</u>	<u>Adjustments</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Unexpended Appropriation</u>
Salaries and Benefits	\$ 16,933,000		\$ 16,933,000	\$ 8,088,411	\$ 8,844,589
Operating Expenses	9,736,435	\$ 189,700	9,926,135	4,692,250	5,233,885
Capital Assets	2,961,116		2,961,116	1,179,499	1,781,617
Construction Carryover		900,000	900,000	900,000	
Grants – Game and Fish	6,164,122		6,164,122	2,150,397	4,013,725
Habitat & Deer Depredation	11,227,979		11,227,979	3,696,011	7,531,968
Noxious Weed Control	350,000		350,000	300,885	49,115
Grant-Gift-Donation	700,000		700,000	149,270	550,730
Nongame Wildlife	120,000		120,000	4,869	115,131
Lonetree Reservoir	1,528,407		1,528,407	715,905	812,502
Wildlife Services	680,000		680,000	201,900	478,100
Ramp and Marina Improvements	800,000	(310,757)	489,243	199,944	289,299
Totals	<u>\$ 51,201,059</u>	<u>\$ 778,943</u>	<u>\$ 51,980,002</u>	<u>\$ 22,279,341</u>	<u>\$ 29,700,661</u>
Expenditures by Source:					
Special Funds	\$ 51,201,059	\$ 778,943	\$ 51,980,002	\$ 22,279,341	\$ 29,700,661
Totals	<u>\$ 51,201,059</u>	<u>\$ 778,943</u>	<u>\$ 51,980,002</u>	<u>\$ 22,279,341</u>	<u>\$ 29,700,661</u>

Appropriation Adjustments:

The capital construction carryover increase of \$900,000 was the unexpended last biennium and was approved for carryover by the Capital Construction Carryover Committee to be used for the new Bismarck shop and storage building. In addition, \$100,000 of the \$900,000 was to be used to reline the Garrison Dam national fish hatchery rearing pond.

The operating expense increase of approximately \$190,000 was for federal funds and the increase was approved by the emergency commission.

The ramp and marina improvements decrease of approximately \$311,000 was for the amount of expenditures that were incurred during the previous biennium (2003) after House Bill 1018; section 12 emergency was approved April 25, 2005 by the 59th Legislative Assembly.

Expenditures Without Appropriations Of Specific Amounts:

Statewide Conference Fund had expenditures that were nonappropriated in accordance with OMB policy 211 (fund 212) \$15,293.

Insurance recoveries have a continuing appropriation authorized by NDCC section 54-44.1-09.1 (\$7,693 of expenditures for this biennium).

For The Biennium Ended June 30, 2005

Expenditures by Line Item:	<u>Original Appropriation</u>	<u>Adjustments</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Unexpended Appropriation</u>
Salaries and Benefits	\$ 15,373,582		\$ 15,373,582	\$ 15,000,182	\$ 373,400
Operating Expenses	9,491,219		9,491,219	9,133,885	357,334
Capital Assets	2,259,944	\$ 350,000	2,609,944	1,694,363	915,581
Construction Carryover		482,000	482,000	482,000	
Grants – Game and Fish	3,602,050	730,000	4,332,050	4,282,306	49,744
Habitat and Deer Depredation	10,181,415		10,181,415	9,607,383	574,032
Noxious Weed Control	300,000		300,000	295,328	4,672
Grant-Gift-Donation	150,000		150,000	121,502	28,498
Nongame Wildlife	120,000		120,000	63,475	56,525
Lonetree Reservoir	1,337,553		1,337,553	1,280,322	57,231
Wildlife Services	550,000		550,000	550,000	
Ramp and Marina Improvements		600,000	600,000	310,757	289,243
Totals	<u>\$ 43,365,763</u>	<u>\$ 2,162,000</u>	<u>\$ 45,527,763</u>	<u>\$ 42,821,503</u>	<u>\$ 2,706,260</u>
Expenditures by Source:					
Special Funds	\$ 43,365,763	\$ 2,162,000	\$ 45,527,763	\$ 42,821,503	\$ 2,706,260
Totals	<u>\$ 43,365,763</u>	<u>\$ 2,162,000</u>	<u>\$ 45,527,763</u>	<u>\$ 42,821,503</u>	<u>\$ 2,706,260</u>

Appropriation Adjustments:

The capital assets increase for \$350,000 was for work to be done at Devils Lake and Lake Sakakawea. The increase was approved in two separate emergency commission meetings.

The capital construction carryover increase of \$482,000 was unexpended last biennium and was approved for carryover by the Capital Construction Carryover Committee to be used for the Williston office addition, fisheries development projects, and the Bismarck shop replacement. The carryover is in accordance with NDCC 54-44.1-11.

The \$730,000 increase in the grant line item was for federal funds to be used for boat ramps at several low water boat access sites. The increase was approved by the Emergency Commission.

The \$600,000 increase in the ramp and marina improvements line item was for boat ramp improvements passed within section 12, House Bill 1018 on April 25, 2005 by the 59th Legislative Assembly.

Expenditures Without Appropriations Of Specific Amounts:

Statewide Conference Fund had expenditures that were nonappropriated in accordance with OMB policy 211 (fund 212) \$20,472.

Internal Control

In our audit for the two-year period ended June 30, 2006, we identified the following areas of the North Dakota Game and Fish Department's internal control as being the most important:

Internal Controls Subjected To Testing

- Controls surrounding the processing of revenues.
- Controls surrounding the processing of expenditures.
- Controls effecting the safeguarding of assets.
- Controls relating to compliance with legislative intent.
- Controls surrounding the ConnectND (PeopleSoft) system.
- Controls surrounding the computer-based cost tracking, license drawing, and on-line services systems.

We gained an understanding of internal control surrounding these areas and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered significant. We concluded internal control was adequate. Our consideration of internal control would not necessarily disclose all matters that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements that would be material may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operation that we consider to be material weaknesses. We also noted certain immaterial instances of noncompliance that we have reported to management of North Dakota Game and Fish Department in a management letter dated February 6, 2007.

Compliance With Legislative Intent

In our audit for the two-year period ended June 30, 2006, we identified and tested North Dakota Game and Fish Department's compliance with legislative intent for the following areas that we determined to be significant and of higher risk of noncompliance:

Legislative Intent Subjected To Testing

- The North Dakota Game and Fish Department has \$3,873,386 or less from the land habitat and deer depredation appropriation line which is to be used for the private land habitat and access improvement program. (2003 North Dakota Session Laws chapter 40, section 2).
- The North Dakota Game and Fish Department has \$41,874 or less from the nongame wildlife fund for the purposes of preservation, inventory, perpetuation, and conservation. (2003 North Dakota Session Laws chapter 40, section 3).
- The North Dakota Game and Fish Department has \$550,000 or less from the Game and Fish Department operating fund for the purpose of alleviating wildlife depredation and damage. (2003 North Dakota Session Laws chapter 40, section 4).
- The North Dakota Game and Fish Department has \$3,300,000 or less from the Game and Fish Department operating fund for the purpose of increasing funding for the private land open to sportsmen program. (2003 North Dakota Session Laws chapter 197, section 7).
- Revenue received from the Department of Transportation for boat registration fees for boat launching facilities, fish cleaning and comfort stations, boating enforcement, boating safety education, and boat license administration. (North Dakota Century Code section 20.1-02-16.5).
- Habitat restoration stamp funds received may not be used for the purchase of land. (North Dakota Century Code section 20.1-03.12.1).
- Proceeds from the sale of confiscated property must be transferred to the North Dakota Wildlife Federation Fund or as directed by the court. (North Dakota Century Code section 20.1-10-04).
- The North Dakota Game and Fish Department must file a biennial report. (North Dakota Century Code section 20.1-02-04).
- Application of proper statutory rates relating to revenue.
- Proper use of the State Treasurer (State Constitution, article X, section 12).
- Compliance with appropriations and related transfers (2003 North Dakota Session Laws chapter 40, 2005 North Dakota Session Laws chapter 18).
- Compliance with OMB's Purchasing Procedures Manual.

- Travel-related expenditures are made in accordance with OMB policy and state statute.
- Adequate blanket bond coverage of employees (NDCC section 26.1-21-08).
- Compliance with fixed asset requirements including record keeping, surplus property, lease and financing arrangements in budget requests, and lease analysis requirements.
- Compliance with payroll related laws including statutory salaries for applicable elected and appointed positions, and certification of payroll.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. Thus, we concluded there was compliance with the legislative intent identified above.

Operations

Our audit of the North Dakota Game and Fish Department identified the following areas of potential improvements to operations:

Operational
Improvement 06-1

PRIVATE LAND INITIATIVE IMPROVEMENTS

Challenge:

Individual hunters find it difficult obtaining access to private land. Lack of land access can be a deciding factor for some hunters to give up hunting or create dangerous overcrowding of available land by hunters.

In terms of overall acreage, approximately 90% of North Dakota is in private ownership, 8% in public ownership, and 2% are tribal trust lands. The 8% public ownership is comprised of 5.2% in fee title by the federal government (this includes water acres such as Lake Sakakawea), 2.3% in state ownership (mostly state trust lands), and .5% city/county owned (roadsides and township property).

According to a Game and Fish survey, 7 of 10 hunters would pay higher fees to fund habitat and access programs. License fees comprise a relatively small portion of actual hunting costs for most individuals.

The Private Lands Initiative successfully opened approximately 900,000 acres (2% of overall acreage) of privately held land for hunters in North Dakota through their Private Land Open to Sportsmen (PLOTS) program. Revenue from the sale of Habitat Stamps and accrued interest from the Department's operating fund balances fund the PLOTS program.

Current revenue adequately funds the PLOTS program; however, future revenues are determined largely by the number of hunting licenses issued. Therefore, fewer license sales would result in less revenue for PLOTS and reduced land available for hunters, resulting in fewer hunters and decreased license revenue. Reduced license sales could be the result of fewer opportunities because of land access as well as reduced game populations due to a severe winter or disease outbreak.

Operational Improvement:

It is our conclusion the PLOTS program should be expanded through increased fees charged hunters. This could be done through a fee increase in various hunting licenses or the requirement of an additional stamp required to hunt on PLOTS land.

Requiring a separate PLOTS stamp allows the people that utilize the PLOTS land to help fund the program.

The additional revenue used exclusively to increase the number of acres enrolled in PLOTS. This could be accomplished by increasing rental payments to encourage more landowners to sign up for PLOTS or providing more habitat enhancement programs.

The Department should also consider additional nonmonetary landowner benefits they can provide to enhance the PLOTS programs benefits. An example would be to allow a "PLOTS gratis" licenses for landowners willing to enroll their land in the PLOTS program. This would allow them to hunt all PLOTS land in their hunting unit.

North Dakota Game and Fish Department Response:

The Department will work with the Legislature concerning funding for the PLOTS program in future legislative sessions. With a fund balance of over \$25 million, the Department has been able to supplement interest and habitat stamp revenue with other revenue. The Legislature has been steadily increasing the price of the habitat stamp to \$10. The Legislature will also dictate when and how any fee increases are implemented. There probably will be a need to address this in the 2009 legislative session.

It should be noted that 90 percent of the land in North Dakota is privately owned and that most hunting takes place on land that is not enrolled in PLOTS. The goal of 1 million acres of land for hunting access will soon be reached, but this is only a very small part of the hunting land in North Dakota and the program's main emphasis is pheasant hunting. While PLOTS is a popular, successful program, hunters still must depend on contacts and relationships with landowners as their primary source of hunting land. While \$5,000,000 per year for plots is a significant amount, it only covers a very small portion of the hunting areas in North Dakota.

LICENSE LOTTERY REFUNDS

Challenge:

Approximately 50% of the license applications are now received over the internet and paid by credit card.

In 2006 the North Dakota Game and Fish Department issued approximately 17,000 refunds for deer, pronghorn, and turkey licenses. Currently the North Dakota Game and Fish Department issues refund checks for all unsuccessful applicants regardless if they initially paid with a credit card.

For each check issued there is a cost not only to the agency issuing the check, but also to the Office of Management and Budget and the State Treasurer's office. This would include the task of issuing, processing, and printing the checks.

A severe winter could result in a substantial decrease in the number of licenses available – which in the case of deer licenses could result in a substantial increase in the number of refunds issued.

Operational Improvement:

As the current lottery system will be re-written sometime in the next few years, we believe the North Dakota Game and Fish Department should consider implementing procedures to issue refunds back to credit cards as part of the system re-write.

North Dakota Game and Fish Department Response:

The Department would like to issue refunds to credit card customers who are unsuccessful in the license lotteries. This will be looked at when the lottery software is replaced in the next 1-2 years. If an efficient cost effective solution is available, this will be a good time to implement it.

DEER DONATION PROGRAM

Challenge:

Sportsman Against Hunger processed 360 deer (16,000 lbs.) in 2006.

According to the North Dakota Community Action Association, food pantries would be able to accept 71,000 pounds of venison per year, which would equate to 1,600 deer.

Many hunters may be willing to purchase an extra doe license and donate the extra venison to a food pantry if they were not required to pay the entire processing cost (approximately \$60 per deer).

We also believe hunters would be willing to donate money to the venison program if the donation request was small and included in the license purchase.

Operational Improvement:

The North Dakota Game and Fish Department should consider modifying its deer license application procedures (paper and internet) to include the opportunity for the purchaser to donate a small amount (\$1-\$2) to the deer donation program.

Any funds raised could be sent to the various sponsoring sportsmen clubs across North Dakota enabling them to pay processing costs for additional deer.

North Dakota Game and Fish Department Response:

The Department is already considering funding sources for the deer donation program. Making it part of the paper application system would make it very difficult to reconcile money with batches of applications. This suggested option would work best for online applicants. The suggestion to consider an optional donation program will be considered by the Department's Management Team.

Management Letter (Informal Recommendations)

February 6, 2007

Terry Steinwand
Director
North Dakota Game and Fish Department
3001 Main Avenue
Bismarck, North Dakota 58501

Dear Mr. Steinwand:

We have performed an audit of the North Dakota Game and Fish Department for the two-year period ended June 30, 2006, and has issued a report thereon. As part of our audit, we gained an understanding of the North Dakota Game and Fish Department's internal control structure to the extent we considered necessary to achieve our audit objectives. We also performed tests of compliance as described in the same report.

Our audit procedures are designed primarily to enable us to report on our objectives including those related to internal control and compliance with laws and regulations and may not bring to light all weaknesses in systems and procedures or noncompliance with laws and regulations which may exist. We aim, however, to use our knowledge of your organization gained during our work to make comments and suggestions which we hope will be useful to you.

In connection with the audit, gaining an understanding of the internal control structure, and tests of compliance with laws and regulations referred to above, we noted a condition we did not consider reportable within the context of your audit report. This condition relates to areas of general business practice or control issues that have no significant bearing on the administration of federal funds. We do, however, want to present our recommendations to you for your consideration and whatever follow-up action you consider appropriate. During the next audit we will determine if this recommendation has been implemented, and if not, we will reconsider its status as non-reportable conditions.

The following present our informal recommendation.

CASH

Informal Recommendation 06-1: We recommend that the North Dakota Game and Fish Department manually approve journal entries for the general ledger.

Management of North Dakota Game and Fish Department agreed with this recommendation.

I encourage you to call myself or an audit manager at 328-2241 if you have any questions.

Sincerely,

Orlin Bensen
Senior Auditor